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Per its Second Report to the President on Identifying and Reducing Tax Regulatory Burdens, Treasury, with the IRS, has decided to withdraw the proposed regulations under IRC §2704 in their entirety. These proposed regulations were designed to eliminate "artificial" valuation discounts for intra-family transfers of interests in family-controlled entities (**FCEs**) by disregarding any restriction on an owner's ability to liquidate an FCE interest, which would have effectively prohibited the use of traditional fair market valuation standards for these transfers (see WRMarketplace No. 16-33 for a detailed discussion of the proposed regulations). In its press release accompanying the report, Treasury stated

that the proposed regulations would have hurt family-owned and operated businesses by limiting valuation discounts. The regulations would have made it difficult and costly for a family to transfer their businesses to the next generation. This report also states that "Treasury and the IRS currently agree with commenters that taxpayers, their advisors, the IRS, and the courts would not, as a practical matter, be able to determine the value of an entity interest based on the fanciful assumption of a world where no legal authority exists." Treasury and the IRS plan to publish a withdrawal of the proposed regulations shortly in the Federal Register.

View Second Report to the President on Identifying and Reducing Tax Regulatory Burdens Executive Order 13789

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